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UNCLAS SECTION 01 OF 02 PRETORIA 001384

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SENSITIVE BUT UNCLASSIFIED

TREASURY FOR IAO/OAN/BEN CUSHMAN

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EAID](#) [SF](#)

SUBJECT: SOUTH AFRICA ON U.S. VIEWS ON DEBT RELIEF

REF: A. STATE 31823

[1](#)B. PRETORIA 966

[1](#)C. APRIL 5 AND 6 2005 E-MAILS FROM TREASURY/BEN CUSHMAN AND PRETORIA/JOE RIPLEY

[1](#)1. (SBU) Begin Summary. On April 5, Econoff met with Acting Chief Director for International Economics Danel van Rensburg at the South African National Treasury to discuss U.S. views on debt relief and other development funding issues. Van Rensburg said that South Africa was supportive of the general effort to increase official development assistance, but realized that the specific vehicles for doing so would ultimately depend on decisions that donor countries had to make. The National Treasury was actively engaged with the U.K. on its proposal to create an International Financing Facility, and sought to better understand how it would function and the impact that it might have on international financial institutions. Van Rensburg said that South Africa was generally supportive of using IMF gold to pay off developing country debt, as long as the process was well managed. Van Rensburg will be traveling to the United States along with Finance Minister Trevor Manuel to participate in annual IMF and World Bank meetings in Washington April 16-17. Manuel is scheduling bilateral meetings on April 15 and is open to attending a roundtable hosted by Secretary Snow (Ref C). End Summary.

[1](#)2. (SBU) While the Embassy delivered talking points discussing U.S. views on debt relief to Acting Chief Director van Rensburg at the National Treasury and Chief Director for Economic Development John Davies several weeks ago, a meeting on the subject at the National Treasury could only be arranged for April 5. (The Ambassador and Econ M-C delivered U.S. views on debt relief to Chief Director Davies and other Foreign Affairs officials during a March 2 discussion on the G-8 Summit, as reported in Ref B.) Also attending the meeting were Director for NEPAD and African Programs Kamilla Gumede and Economists Marlon Gescoint and Christian Green. Van Rensburg and Gumede said that South Africa was supportive of the general effort to increase flows of official development assistance, but realized that the specific vehicles for doing so would ultimately depend on decisions that donor countries had to make. The National Treasury welcomed the International Financing Facility as an innovative proposal and was engaged with the U.K. to better understand how it would work. Whatever the plan, South Africa wanted to assure greater flows of development assistance to developing countries and supported any effort to identify viable options. Van Rensburg said that South Africa was generally supportive of using IMF gold to reduce developing country debt, as long as the process was well managed, i.e., through selective sales of gold reserves or some revaluation buy-back scheme as before. South Africa was waiting for the IMF paper on the subject promised for the spring meeting of G-7 Finance Ministers.

[1](#)3. (SBU) Gumede added that in considering new financing mechanisms, the implications for existing international financial institutions also needed to be considered. Gumede said that the National Treasury agreed with the U.S. that development policy should be based on thorough analysis, and was appreciative of the work that the United States had done in this regard. South Africa was supportive of the conclusions reached by the International Development Association and African Development Fund on debt sustainability. South Africa agreed with the United States that the balance of new international development financing should be tipped toward grants rather than new lending. Gumede commented that whatever transpired, it was South Africa's hope that developed countries could agree on more ambitious financing of official development assistance.

[1](#)4. (SBU) Van Rensburg told Econoff that he would travel to the United States with Finance Minister Trevor Manuel to participate in annual IMF and World Bank meetings in Washington April 16-17. Van Rensburg thought that Manuel would be interested in attending a roundtable hosted by Secretary Snow, but that the Minister's office would require

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some sort of formal invitation before Manuel could commit

(Ref C). Van Rensburg told us that Manuel would be departing Pretoria on April 8 for Europe before flying onto Washington and that he was scheduling bilateral meetings in Washington on April 15. On April 6, Manuel's Personal Assistant confirmed to us that, in anticipation of an invitation, Manuel was open to attending a roundtable hosted by Secretary Snow on April 15.

FRAZER